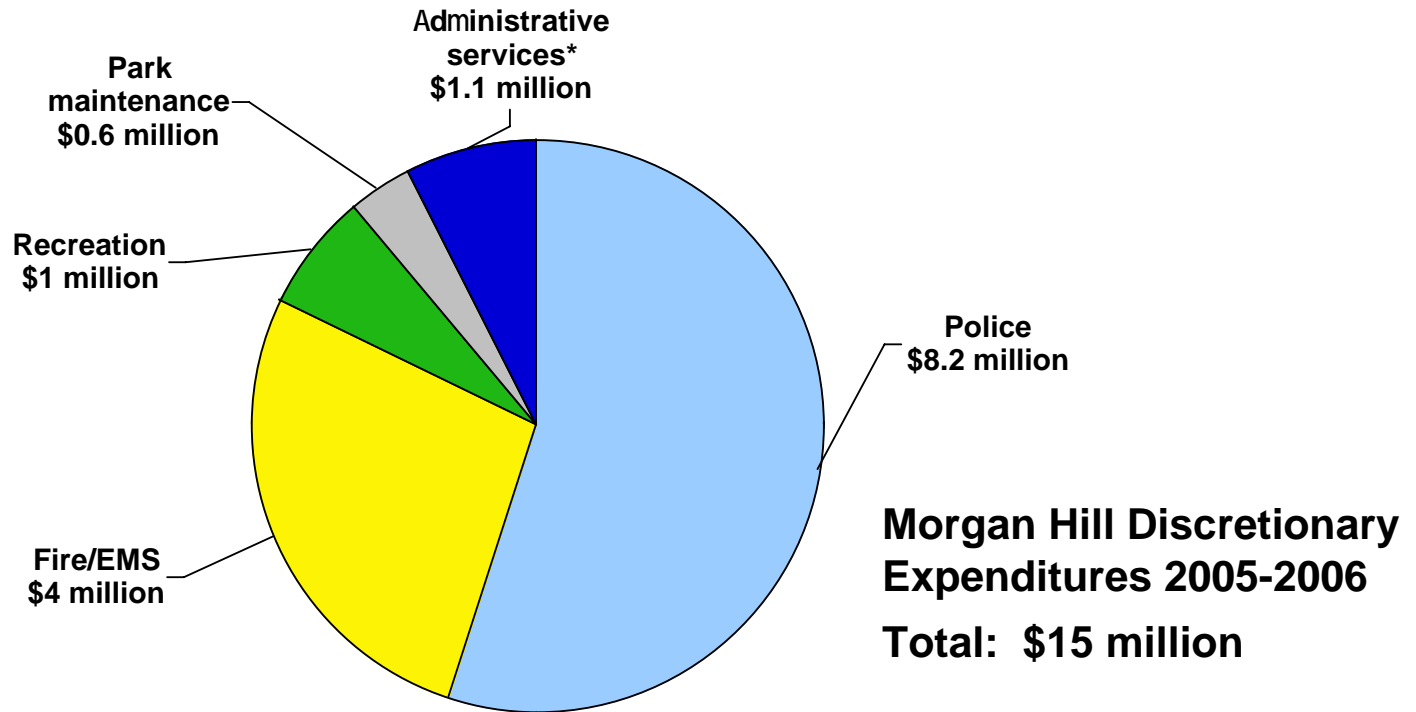


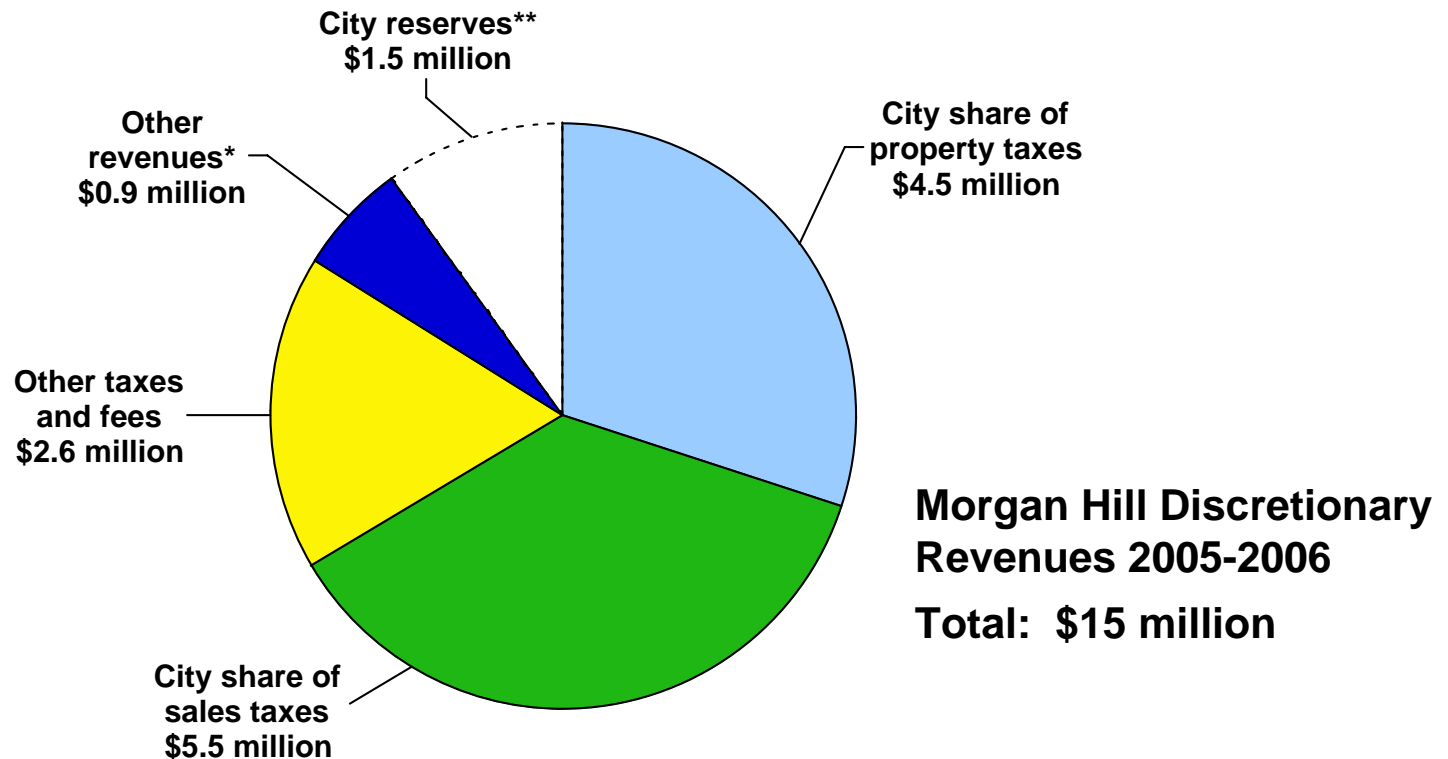
Discretionary Operating Funds: Where the Money Goes



The City has cut its annual expenditures by nearly \$2 million over the last several years. Cuts have included reductions in park maintenance and irrigation, administrative and legal expenses, recreational, arts and cultural programs for children, and street repair.

* "Administrative services" includes City Council, Finance, Human Resources, City Manager

Discretionary Operating Funds: Where the Money Comes From



Unlike other cities in Santa Clara County, Morgan Hill does not levy supplemental taxes (such as an additional sales tax) to fund services

* "Other Revenues" includes interest, rental income, and government grants

** City reserves will be depleted within 3-5 years